



**Iowa
Telecommunications
Association**

Universal Service Fund

Long Term, Comprehensive High-Cost Universal Service Fund Reform

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Iowa Telecommunications Association

- USA's largest & 2nd oldest state telecom association
 - 140 Rural ILECs, 5 CLECs, and 1 CEA Provider
 - Not Qwest or Iowa Telecom
- Many ITA members deploy broadband to 100% of their customers
- All ITA members receive high-cost USF funding



ITA Delegation

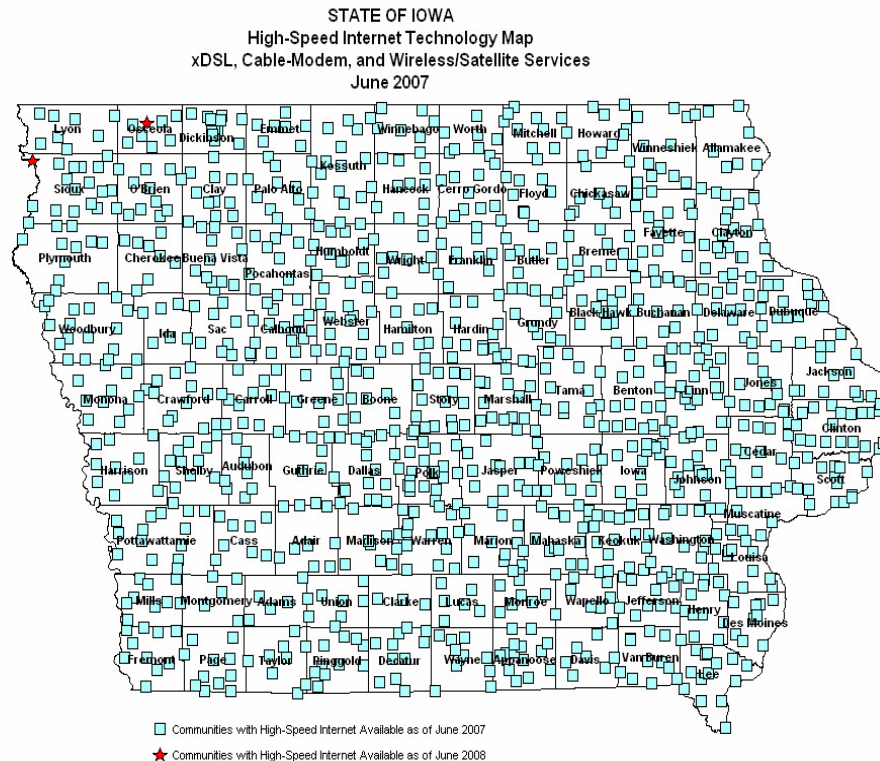
- **Doug Boone**, CEO, Premier Communications, Sioux Center, Iowa
- **Daryl Carlson**, EVP/GM, Webster Calhoun Coop Telephone, Gowrie, IA
- **Rod Cotton**, Director of Business Development & Regulatory, Grand River Mutual Telephone, Princeton, MO and Leon, Iowa
- **Ivan Dalen**, General Manager, River Valley Telecommunications Coop, Graettinger, Iowa
- **Janell Hansen**, Manager, Marne Elk Horn Telephone Company, Elk Horn, Iowa
- **Roger Kregel**, Manager, Dumont Telephone Company, Dumont Iowa
- **Pat McGowan**, Director of Business Development, Interstate Communications, Truro, Iowa
- **Mark Peterson**, CEO, WTC Communications, Wilton, Iowa
- **Dave Duncan**, President, Iowa Telecommunications Association
- **Kristin Kunert**, Director of Government Affairs, Iowa Telecommunications Association

Broadband Availability in Iowa

- **Iowa is ranked #1 in USA** in broadband providers with 182
- 93.9% of Iowa communities have access to one or more types of high-speed Internet technology
 - 1,156 out of 1,231 Iowa communities

Source: Iowa Utilities Board Report (January 2008) "Assessing High-Speed Internet Access in the State of Iowa: Sixth Assessment"

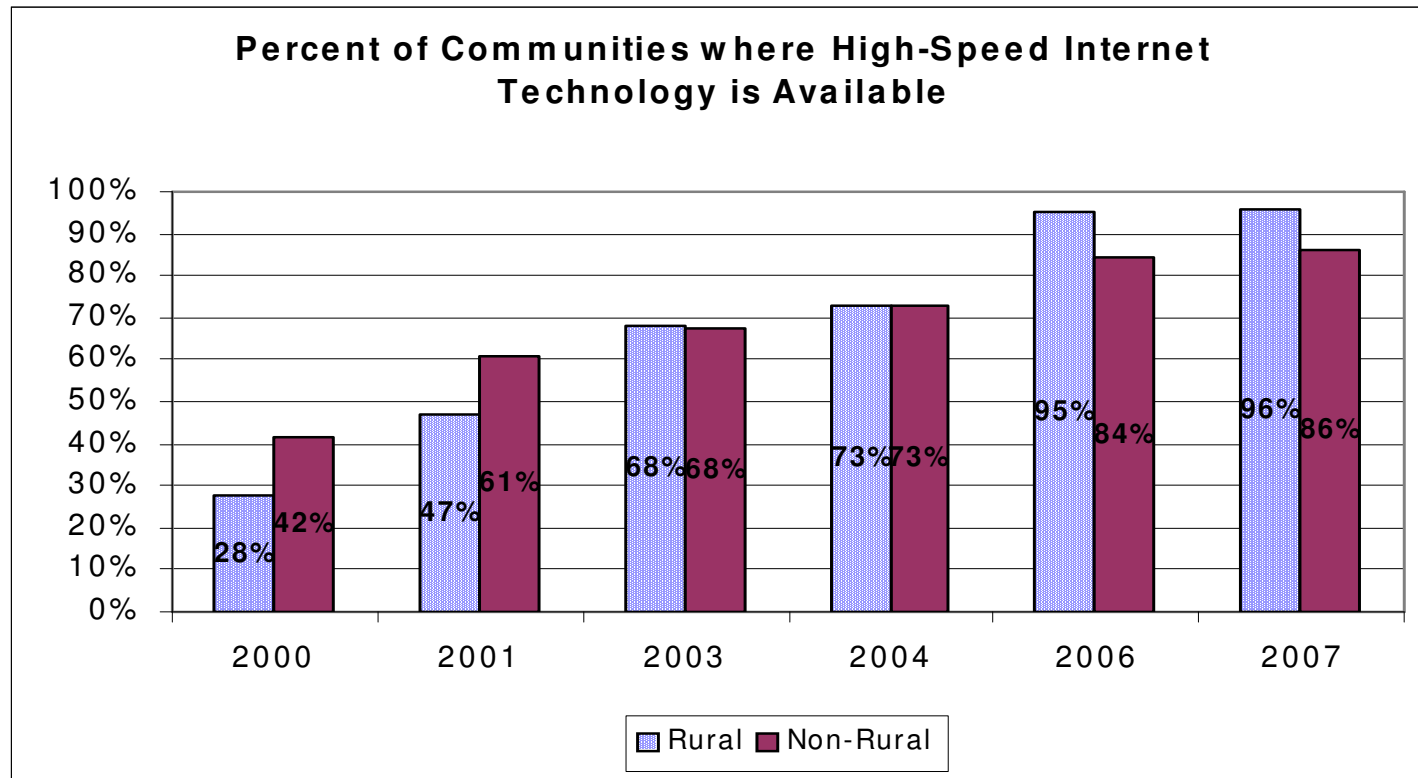
Note: map does not demonstrate extent of deployment to rural areas beyond city limits



Availability of high-speed Internet access in a community DOES NOT mean the technology is available to ALL customers in that community.

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May 2008

Reverse Digital Divide Favors Rural Iowans



Source: Iowa Utilities Board Report (January 2008) "Assessing High-Speed Internet Access in the State of Iowa: Sixth Assessment"



Broadband Deployment in Iowa

Type of Broadband

87.7% of Iowa communities have DSL

32.6% have cable modems

64.2% have wireless & satellite

Competition – By June 2007, 65.0% of Iowa communities had two or more high-speed internet providers

□ 64.8% rural, 65.7% non-rural

Source: Iowa Utilities Board Report (January 2008) “Assessing High-Speed Internet Access in the State of Iowa: Sixth Assessment”



Making USF Stable and Predictable

Step 1: CETC Cap

- The CETC cap contained in the FCC's May 1st Order will stem the growth of fund
- Will not inhibit broadband deployment in rural areas
- Will not adversely impact rural customers



Making USF Stable and Predictable

Step 2: Eliminate Identical Support

- Causes unnecessary expansion of High Cost Fund
- Fails to encourage investment by CETCs in rural areas
- Not competitively neutral to have equal support for carriers with differences in service area coverage, service quality, and regulatory requirements.
- Payments should be based on carrier's own costs
- Don't use high cost funding to subsidize competition in high cost areas



Making USF Stable and Predictable

Step 3: Avoid Reverse Auctions

Allow the CETC cap to take effect

Implement CETC support based on own costs

Reverse Auctions – Disadvantages far outweigh advantages

- “Race to the bottom”
- Uncertain and erratic funding mechanism
- Discourage future investment in technologies and infrastructure critical to the goals and principles of universal service.
- Could leave significant stranded costs
- Will not promote long term ideals of universal service



Digital Television Transition

- ITA Public Education Program
 - ☐ Billing inserts
 - ☐ Lifeline Brochure
 - ☐ Press Releases
- Webcasts and special reports
 - ☐ Outreach
 - ☐ Digital converter boxes
 - ☐ 13.5 million households? 20 million? 70 million?



Point of Interconnection

- Iowa Utilities Board has granted the absolute right to Iowa LECs to designate their POI on the network of Iowa's Centralize Equal Access provider, Iowa Network Services.
- NECA agrees.
- AT&T submitted comments and two ex parte meetings to the Commission which attack the right of Iowa LECs to select their point of interconnection on Iowa Network Services network.
- AT&T & Qwest agreed to pay full transport charges.



Conclusion

- Public policy goals of USF remain paramount
 - Access to quality advanced telecommunications and information services for all Americans
 - Comparable services and rates for rural and urban consumers
- Reform of USF started with interim step of capping CETC payments, and should continue with the elimination of the identical support rule.
- Focus on reforms that pinpoint the root cause of unnecessary growth in the rural High-Cost program
- Avoid recommendations that jeopardize the continued provision of universal service to consumers in rural service areas
- Promote continued broadband deployment